

Second Quarter Financial Statements Announcement for the Financial Period Ended 30 June 2019

1(a) A statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i) Income statement

	Group					
	2 nd quarter ended			1 st half ended		
	30-Jun-19	30-Jun-18	%	30-Jun-19	30-Jun-18	%
	\$'000	\$'000	Change	\$'000	\$'000	Change
Revenue	10,772	9,234	17%	21,099	16,565	27%
Cost of sales	(7,026)	(5,725)	23%	(13,460)	(10,614)	27%
Gross profit	3,746	3,509	7%	7,639	5,951	28%
Other operating income						
- Interest	69	25	176%	131	50	162%
- Others	51	2,021	(97%)	156	1,766	(91%)
Selling and distribution expenses	(2,176)	(2,291)	(5%)	(4,540)	(4,505)	1%
Administrative expenses	(1,190)	(3,981)	(70%)	(2,235)	(5,304)	(58%)
Finance costs	(220)	(202)	9%	(567)	(295)	92%
Net impairment gains/(losses) on financial assets	75	(348)	(122%)	166	(897)	(119%)
Profit/(loss) from operations	355	(1,267)	(128%)	750	(3,234)	(123%)
Share of results of joint ventures	95	98	(3%)	195	192	2%
Share of results of associated companies	(105)	(203)	93%	(450)	(691)	54%
Profit/(loss) before tax	345	(1,372)	498%	495	(3,733)	854%
Income tax (expenses)/credit	(1)	63	(102%)	12	65	(82%)
Profit/(loss) for the period	344	(1,309)	481%	507	(3,668)	823%
Attributable to:						
Equity holders of the Company	484	(1,178)	343%	613	(3,166)	616%
Non-controlling interests	(140)	(131)	(7%)	(106)	(502)	373%
	344	(1,309)	481%	507	(3,668)	823%

1(a) A statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (cont'd)

	Group					
	2 nd quarter ended			1 st half ended		
	30-Jun-19	30-Jun-18	%	30-Jun-19	30-Jun-18	%
	\$'000	\$'000	Change	\$'000	\$'000	Change
Profit/(loss) for the period	344	(1,309)	481%	507	(3,668)	823%
Other comprehensive income:						
Currency translation differences arising on consolidation, net of tax	(95)	(734)	673%	(34)	(490)	1341%
Total comprehensive income	249	(2,043)	920%	473	(4,158)	979%
Total comprehensive income attributable to:						
Equity holders of the Company	389	(2,016)	618%	579	(3,570)	717%
Non-controlling interests	(140)	(27)	(81%)	(106)	(588)	455%
	249	(2,043)	920%	473	(4,158)	979%

1(a)(ii) Notes to income statement

	Group					
	2 nd quarter ended			1 st half ended		
	30-Jun-19	30-Jun-18	%	30-Jun-19	30-Jun-18	%
	\$'000	\$'000	Change	\$'000	\$'000	Change
Other income including interest income	122	102	20%	330	219	51%
Fair value loss on financial assets at fair value through profit or loss	(5)	(5)	0%	(16)	(11)	45%
Gain on disposal of a subsidiary	–	1,581	N.M.	–	1,581	N.M.
Gain on disposal of a property, plant and equipment	–	–	N.M.	1	–	N.M.
Amortisation of intangible assets	(20)	(57)	(65%)	(28)	(119)	(76%)
Depreciation of property, plant and equipment	(232)	(416)	(44%)	(471)	(719)	(34%)
Depreciation of right-of-use assets	(129)	–	N.M.	(236)	–	N.M.
Foreign exchange gain/(loss)	3	368	(99%)	(28)	27	(204%)
Interest on borrowings	(220)	(202)	9%	(567)	(295)	92%
Provision for liabilities	–	(2,049)	N.M.	–	(2,049)	N.M.
Provision for stock obsolescence	(400)	(289)	38%	(931)	(452)	106%
Write-back/(provision) for doubtful debts	75	(348)	(122%)	166	(897)	(119%)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediate preceding financial year.

	Group		Company	
	30-Jun-19 \$'000	31-Dec-18 \$'000	30-Jun-19 \$'000	31-Dec-18 \$'000
Non-current assets				
Property, plant and equipment	10,933	11,378	-	-
Right-of-use assets	9,319	-	-	-
Investment in subsidiaries	-	-	12,337	12,337
Investment in joint ventures	2,610	2,431	912	912
Investment in associated companies	1,499	1,963	2,485	2,485
Deferred tax assets	11	11	-	-
Intangible assets	1,444	428	-	-
Financial assets at fair value through profit or loss	12	28	-	-
Loan to an associated company	4,000	4,000	4,000	4,000
Total non-current assets	29,828	20,239	19,734	19,734
Current assets				
Inventories	25,101	22,260	-	-
Contract assets	1,869	1,019	-	-
Trade receivables	11,745	9,922	-	-
Other receivables	2,676	3,467	1,913	569
Tax recoverable	97	97	-	-
Cash and cash equivalents	5,857	6,373	487	3,266
Total current assets	47,345	43,138	2,400	3,835
Total assets	77,173	63,377	22,134	23,569
Non-current liabilities				
Deferred tax liabilities	279	281	-	-
Bank borrowings	3,067	3,467	3,067	3,467
Lease liabilities	9,082	31	-	-
Total non-current liabilities	12,428	3,779	3,067	3,467

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediate preceding financial year. (cont'd)

	Group		Company	
	30-Jun-19 \$'000	31-Dec-18 \$'000	30-Jun-19 \$'000	31-Dec-18 \$'000
Current liabilities				
Contract liabilities	679	322	-	-
Convertible loan notes	727	715	-	-
Trade payables	3,449	1,823	-	-
Other payables	3,853	17,635	10,715	26,625
Provisions	514	529	-	-
Bank borrowings	14,175	13,077	800	533
Lease liabilities	368	64	-	-
Tax payable	548	548	232	232
Total current liabilities	24,313	34,713	11,747	27,390
Total liabilities	36,741	38,492	14,814	30,857
Net assets/(liabilities)	40,432	24,885	7,320	(7,288)
Equity				
Share capital	58,535	43,461	58,535	43,461
Currency translation reserve	(379)	(345)	-	-
Equity component of convertible loan notes	36	36	-	-
Capital reserves	(2,010)	(2,010)	-	-
(Accumulated losses)/retained earnings	(10,858)	(11,471)	(51,215)	(50,749)
Equity attributable to equity holders of the Company, total	45,324	29,671	7,320	(7,288)
Non-controlling interests	(4,892)	(4,786)	-	-
Total equity	40,432	24,885	7,320	(7,288)

1(b)(ii) In relation to the aggregate amount of the Group's borrowings and debt securities, specify the following as at the financial period reported on with comparative figures as at the end of the immediate preceding financial year.

Amount repayable in one year or less, or on demand

As at 30.06.2019 (\$'000)		As at 31.12.2018 (\$'000)	
Secured	Unsecured	Secured	Unsecured
13,750	425	13,077	-

Amount repayable after one year

As at 31.03.2019 (\$'000)		As at 31.12.2018 (\$'000)	
Secured	Unsecured	Secured	Unsecured
3,067	-	3,467	-

Details of any collateral

- (i) The Group's banking facilities were secured by the following:
 - (a) Legal charge on the Group's leasehold property with net book value of \$10.40 million (31.12.2018: \$10.64 million);
 - (b) Corporate guarantee by the Company.

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediate preceding financial year.

	Group			
	2 nd quarter ended		1 st half ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit/(loss) before tax	345	(1,372)	495	(3,733)
Adjustment for:				
Amortisation of intangible assets	20	57	28	119
Exchange difference	9	(527)	67	(274)
Depreciation of property, plant and equipment	232	416	471	719
Depreciation of right-of-use assets	129	-	236	-
Gain on disposal of property, plant and equipment	-	-	(1)	-
Fair value loss on financial assets at fair value through profit or loss	5	5	16	11
Interest expenses	220	202	567	295
Interest income	(69)	(25)	(131)	(50)
Provision, net	-	2,049	-	2,049
Share of results of associated company	105	203	450	691
Share of results of joint ventures	(95)	(98)	(195)	(192)
Gain on disposal of a subsidiary	-	(1,581)	-	(1,581)
Operating cash flows before working capital changes	901	(671)	2,003	(1,946)
Inventories	(1,968)	(547)	(2,841)	(410)
Contract assets and contract liabilities	(362)	1,569	(493)	1,595
Receivables	690	(936)	(2,402)	(247)
Payables	(12)	1,208	3,060	763
Provision for claims and vendor costs	-	(359)	-	(558)
Cash used in operations	(751)	264	(673)	(803)
Income tax refund/(paid)	-	879	-	(192)
Net cash (used in)/from operating activities	(751)	1,143	(673)	(995)

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediate preceding financial year. (cont'd)

	Group			
	2 nd quarter ended		1 st half ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	\$'000	\$'000	\$'000	\$'000
Cash flows from investing activities				
Interest received	69	25	131	50
Loan to an associated company	-	-	-	(2,000)
Proceeds from disposal of a subsidiary	-	3,000	-	3,000
Repayment of purchase deposit from a supplier	615	-	1,360	-
Proceeds of property, plant and equipment	-	-	1	-
Purchase of property, plant and equipment	(36)	(90)	(95)	(216)
Settlement of provision for liabilities	-	(4,200)	(15)	(5,200)
Development costs	(467)	(54)	(977)	(223)
Net cash from/(used in) investing activities	181	(1,319)	405	(4,589)
Cash flows from financing activities				
Net drawdown/(repayment) of short-term borrowings	2,005	(345)	831	(1,275)
Drawdown of bank borrowings	-	2,000	-	4,000
Repayment of bank borrowings	(133)	-	(133)	(600)
Repayment of lease liabilities	(110)	(33)	(200)	(60)
Interest paid	(220)	(202)	(567)	(300)
(Increase)/decrease in fixed deposits under pledge and restricted cash	(6)	-	26	-
Proceeds from shareholder loan	-	4,200	-	4,200
Refund of share application money received	-	-	(644)	-
Proceeds from issuance of rights issue	-	-	644	-
Rights issue expenses	-	-	(162)	-
Net cash from/(used in) financing activities	1,536	5,620	(205)	5,965

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediate preceding financial year. (cont'd)

	Group			
	2 nd quarter ended		1 st half ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	\$'000	\$'000	\$'000	\$'000
Net increase/(decrease) in cash and cash equivalents	966	5,444	(473)	381
Cash and cash equivalents at beginning of financial year	4,673	1,266	6,118	6,329
Effects of exchange rate changes on cash and cash equivalents	(11)	-	(17)	-
Cash and cash equivalents at end of the period	<u>5,628</u>	<u>6,710</u>	<u>5,628</u>	<u>6,710</u>
Cash and cash equivalents comprise the following:				
Cash and cash equivalents	5,857	7,600	5,857	7,600
Less Restricted cash	(229)	(890)	(229)	(890)
Cash and cash equivalents as per statement of cash flows	<u>5,628</u>	<u>6,710</u>	<u>5,628</u>	<u>6,710</u>

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Attributable to equity holders of the Company							Total equity
	Share capital	Currency translation reserve	Equity component of convertible loan notes	Capital reserves	Accumulated losses	Total	Non-controlling interest	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2019	43,461	(345)	36	(2,010)	(11,471)	29,671	(4,786)	24,885
Profit for the financial year	–	–	–	–	129	129	34	163
Currency translation differences arising on consolidation, net of tax	–	61	–	–	–	61	–	61
Issuance of rights issue	15,300	–	–	–	–	15,300	–	15,300
Rights issue expenses	(226)	–	–	–	–	(226)	–	(226)
At 31 March 2019	58,535	(284)	36	(2,010)	(11,342)	44,935	(4,752)	40,183
Profit/(loss) for the financial year	–	–	–	–	484	484	(140)	344
Currency translation differences arising on consolidation, net of tax	–	(95)	–	–	–	(95)	–	(95)
At 30 June 2019	58,535	(379)	36	(2,010)	(10,858)	45,324	(4,892)	40,432

Group	Attributable to equity holders of the Company								
	Share capital	Currency translation reserve	Equity component of convertible loan notes	Capital reserves	Accumulated losses	Reserve of disposal group classified as held-for-sale	Total	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2018	43,461	268	36	–	(7,454)	(32)	36,279	(5,209)	31,070
Loss for the financial year	–	–	–	–	(1,988)	–	(1,988)	(371)	(2,359)
Currency translation differences arising on consolidation, net of tax	–	434	–	–	–	–	434	(190)	244
At 31 March 2018	43,461	702	36	–	(9,442)	(32)	34,725	(5,770)	28,955
Loss for the financial year	–	–	–	–	(1,178)	–	(1,178)	(131)	(1,309)
Currency translation differences arising on consolidation, net of tax	–	(838)	–	–	–	–	(838)	104	(734)
Disposal of a subsidiary	–	–	–	–	–	32	32	–	32
At 30 June 2018	43,461	(136)	36	–	(10,620)	–	34,741	(5,797)	26,944

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (cont'd)

Company	Share capital \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2019	43,461	(50,749)	(7,288)
Profit for the financial period	-	(325)	(325)
Issue of right shares	15,300	-	15,300
Right shares expenses	(226)	-	(226)
At 31 March 2019	58,535	(51,074)	7,461
Profit for the financial period	-	(141)	(141)
At 30 June 2019	58,535	(51,215)	7,320

Company	Share capital \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2018	43,461	(45,067)	(1,606)
Profit for the financial period	-	172	172
At 31 March 2018	43,461	(44,895)	(1,434)
Profit for the financial period	-	(1,746)	(1,746)
At 30 June 2018	43,461	(46,641)	(3,180)

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital during the three months ended 30 June 2019.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30.06.2019	31.12.2018
Total number of issued shares excluding treasury shares	299,999,987	119,999,995

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice. (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard).

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the preparation of financial information for the current reporting period as compared to the latest audited annual financial statements for the financial year ended 31 December 2018.

5. if there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new Singapore Financial Reporting Standards (International) and interpretations effective for the financial period beginning 1 January 2019 as follows:

SFRS(I) 16 Leases

SFRS(I) 16 replaces the existing IAS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a “right-of-use” asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The Group adopted the new standard on the required effective date using the modified retrospective approach and recognises any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 16 at the date of initial application in the opening retained earnings as at 1 January 2019. Right-of-use assets are recognised at an amount equal to the lease liability (adjusted for any prepaid or accrued lease payments) on adoption.

As at 1 January 2019, the Company recorded right-of-use assets and corresponding lease liabilities of approximately \$9.5 million.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings/(loss) per ordinary share of the period based on net profit/(loss) attributable to shareholders:

Group

	Group			
	2 nd quarter ended		1 st half ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
(i) Based on weighted average number of ordinary shares in issue	0.16 cents	(0.98) cents	0.24 cents	(2.64) cents
Net earnings/(loss) per ordinary share for the period	0.16 cents	(0.98) cents	0.24 cents	(2.64) cents
Weighted average number of ordinary shares in issue	299,999,987	119,999,995	256,999,989	119,999,995

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends. (cont'd)

	Group			
	2 nd quarter ended		1 st half ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
(ii) On a fully diluted basis	0.18 cents	(0.95) cents	0.28 cents	(3.00) cents
Net earnings/(loss) per ordinary share for the period	0.18 cents	(0.95) cents	0.28 cents	(3.00) cents
Weighted average number of ordinary shares in issue	299,999,987	119,999,995	256,999,989	119,999,995

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
Net asset value per ordinary share based on existing share capital	15 cents	25 cents	2 cents	(6) cents

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

Key changes in the Group's financials:

Profit or loss review

2Q2019 vs 2Q2018

Revenue

	Group		
	2Q2019	2Q2018	%
	\$'000	\$'000	Change
Supply Chain Management			
Marine cables and accessories	5,781	4,314	34
Marine lighting equipment and accessories	2,325	3,031	(23)
Lamp and others	1,012	941	8
	9,118	8,286	10

Security	622	856	(27)
Engineering Services	1,032	92	1,022
Total revenue	10,772	9,234	17

Supply Chain Management

Supply Chain Management Division accounts for 85% of the Group's turnover in 2Q2019, of which marine cables and accessories contributed 63%, marine lighting equipment and accessories 26% and others 11%. Revenue from the division increased by 10% mainly due to the increase in business activities of customers.

Security

Security Division mainly provides security products and solutions relating to information technology. The division accounts for 6% of the Group's turnover in 2Q2019.

Engineering Services

Engineering Services Division accounts for 9% of the Group's turnover in 2Q2019. Revenue from Engineering Services Division increased by 1,022% mainly due to increase in business activities and sales to new customers.

Gross profit

The Group's overall gross profit increased by \$0.2 million or 7% from \$3.5 million in 2Q2018 to \$3.7 million in 2Q2019, mainly due to higher revenue in the Supply Chain Management division where the margins are higher. The Group's overall gross margin decreased marginally by 3% from 38% in 2Q2018 to 35% in 2Q2019, mainly due to lower revenue in Security division where the margins are higher in 2Q2018.

Other operating income

Other operating income decreased from \$2.0 million to \$0.1 million, mainly due to higher foreign exchange gains and gain on disposal of a subsidiary, PT. Dwiutama Mandiri Sukses, in 2Q2018.

Operating expenses

The Group's operating expenses comprise mainly of selling & distribution and administrative expenses. Selling & distribution expenses decreased by 5% or \$0.1 million, from \$2.3 million in 2Q2018 to \$2.2 million in 2Q2019, mainly due to lower personnel related cost, partially offset by increase in R&D, exhibition expenses and provision for stock obsolescence.

Administrative expenses decreased by 70% or \$2.8 million, from \$4.0 million in 2Q2018 to \$1.2 million in 2Q2019, mainly due to lower provision for liabilities and amortisation of intangible assets. Provisions for liabilities were made in 2Q2018 as a result of additional estimated losses of Gul Specialty Steel Industries LLC ("GSSI") whereas no such provisions were necessary in 2Q2019.

Net impairment gains/(losses) on financial assets

Net impairment gains on financial assets in 2Q2019 was due to reversal of provision for doubtful debts which have been provided for in previous periods. Losses on financial assets in 2Q2018 was mainly due to higher impairment provisions recognized in 2Q2018 in view of the weak marine and offshore markets where payment from customers are slower coupled with poor performance by certain customers.

Share of results of associated companies

The decrease in share of losses of associated companies was mainly due to lower losses recognized by the Group in relation to its associated companies for 2Q2019.

Net profit/(loss) for the period

The Group registered a net profit of \$0.3 million in 2Q2019 as compared with a net loss of \$1.3 million in 2Q2018, mainly due to higher revenue, lower provision for doubtful debt expenses and lower personnel related costs, partially offset by higher provisions for stock obsolescence.

1H2019 vs 1H2018

Revenue

	Group		
	2Q2019	2Q2018	%
	\$'000	\$'000	Change
Supply Chain Management			
Marine cables and accessories	11,060	8,057	37
Marine lighting equipment and accessories	4,431	5,096	(13)
Lamp and others	2,276	2,060	11
	17,767	15,213	17
Security	2,201	1,197	84
Engineering Services	1,131	155	630
Total revenue	21,099	16,565	27

Supply Chain Management

Supply Chain Management Division accounts for 84% of the Group's turnover in 1H2019, of which marine cables and accessories contributed 62%, marine lighting equipment and accessories 25% and others 13%. Revenue from the division increased by 17% mainly due to the increase in business activities of customers.

Security

Security Division mainly provides security products and solutions relating to information technology. The division accounts for 10% of the Group's turnover in 1H2019. Revenue from the division increased by 84% mainly due to sales to new customers.

Engineering Services

Engineering Services Division accounts for 6% of the Group's turnover in 1H2019. Revenue from Engineering Services Division increased by 630% mainly due to increase in business activities and sales to new customers.

Gross profit

The Group's overall gross profit increased by \$1.7 million or 28% from \$6.0 million in 1H2018 to \$7.6 million in 1H2019, mainly due to higher revenue in the Supply Chain Management division. The Group's overall gross margin remain comparably unchanged.

Other operating income

Other operating income decreased from \$1.8 million to \$0.3 million, mainly due to higher foreign exchange gain and gain on disposal of a subsidiary in 2Q2018.

Operating expenses

The Group's operating expenses comprise mainly of selling & distribution and administrative expenses. Selling & distribution expenses remain largely unchanged.

Administrative expenses decreased by 58% or \$3.1 million, from \$5.3 million in 1H2018 to \$2.2 million in 1H2019, mainly due to lower provision for liabilities, amortisation of intangible assets and provision for stock obsolescence.

Share of results of associated companies

The decrease in share of losses of associated companies was mainly due to lower losses recognized by the Group in relation to its associated companies for 1H2019.

Finance costs

The increase in Finance costs in 1H2019 compared to 1H2018 was mainly due to increase in interests on bank borrowings which were utilised to support the Group's working capital.

Net impairment gains/(losses) on financial assets

Net impairment gains on financial assets in 1H2019 was due to reversal of provision for doubtful debts which have been provided for in previous periods. Losses on financial assets in 1H2018 was mainly due to higher impairment provisions recognized in 1H2018 in view of the weak marine and offshore markets where payment from customers are slower coupled with poor performance by certain customers.

Net profit/(loss) for the period

The Group registered a net profit of \$0.5 million in 1H2019 as compared with a net loss of \$3.7 million in 1H2018, mainly due to higher revenue, lower provision for doubtful debt and impairment expenses and amortisation of intangible assets, partially offset by higher provisions for stock obsolescence.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Balance Sheet Analysis**Right-of-use assets ("ROU assets")**

With effect from 1 January 2019, the Group has adopted a new accounting standard SFRS(I) 16 Leases. This has resulted in the recognition of a Right-of-use assets of \$9.5 million and its related lease liabilities.

Investment in joint ventures

The increase in investment in joint ventures was mainly due to the recognition of the Group's share of profit in joint ventures.

Investment in associated companies

The decrease in investment in associated companies was mainly due to the recognition of the Group's share of losses in associated companies.

Intangible assets

The increase in intangible assets was mainly due to increase the development cost of a Group subsidiary.

Inventories

Inventories increased by \$2.8 million from \$22.3 million as at 31 December 2018 to \$25.1 million in 2Q2019, mainly due to increase in raw materials and work in progress by the Supply Chain Management and Engineering Services Division, partially offset by higher provision for stock obsolescence.

Contract assets

This relates to unbilled receivables for projects relating to the Security and Engineering Divisions.

Trade receivables

Trade receivables increased by \$1.8 million from \$9.9 million as at 31 December 2018 to \$11.7 million in 2Q2019, mainly due to higher revenue.

Other receivables

The decrease in other receivables of \$0.8 million from \$3.5 million as at 31 December 2018 to \$2.7 million in 2Q2019 was mainly due to offsetting of deposit to supplier upon receipts of such supplies.

Contract liabilities

This relates to advance consideration received from customers for a project of the Security Division.

Convertible loan notes

The carrying value of convertible loan notes relate to the debt portion of convertible loan notes issued pursuant to a convertible loan agreement ("CLA") dated 7 September 2017 where shareholders of a Group subsidiary agreed to subscribe to convertible notes up to an aggregate principle amount of \$4 million at an interest rate at 6.0% per annum which matures on 30 June 2019. On 3 June 2019, the Group subsidiary has obtained approvals from the majority of the holders of its convertible loan notes to extend the maturity date of the convertible loan notes by one year, from 30 June 2019 to 30 June 2020.

Trade payables

Trade payables increased by \$1.6 million from \$1.8 million as at 31 December 2018 to \$3.4 million in 2Q2019, mainly due to higher purchases as a result of increased level of activities.

Other payables

The decrease in other payables of \$13.8 million from 31 December 2018 was mainly due to the application of advance subscription monies received from undertaking shareholders in relation to the rights issues that was completed in February 2019.

Cash flow review

2Q2019 vs 2Q2018

The net cash flows used in operating activities for 2Q2019 was \$0.8 million, as compared to net cash flows from operating activities of \$1.1 million in 2Q2018. This were mainly due to increase in inventory and higher income tax refund in 2Q2018.

The net cash flows generated from investing activities for 2Q2019 was \$0.2 million, as compared to net cash flows used in investing activities of \$1.3 million in 2Q2018, mainly due to the settlement of provisions for liabilities which was partially offset by proceeds from disposal of a subsidiary in 2Q2018. The net cash generated from financing activities for 2Q2019 was \$1.5 million compared to \$5.6 million in 2Q2018, mainly due to increase in net repayment of short-term borrowings and decrease in drawdown of bank borrowings.

1H2019 vs 1H2018

The net cash flows used in operating activities for 1H2019 was \$0.7 million compared to \$1.0 million in 1H2018. This were mainly due to increase in inventory and trade receivables, partially offset by increase in trade payables.

The net cash flows generated from investing activities for 1H2019 was \$0.4 million, as compared to net cash flows used in investing activities of \$4.6 million in 1H2018, mainly due to the settlement of provisions for liabilities and loan to an associated company, partially offset by proceeds from disposal of a subsidiary in 2Q2018.

The net cash generated used in financing activities for 1H2019 was \$0.2 million, as compared to net cash flows generated from financing activities of \$6.0 million in 1H2018, mainly due to decrease in drawdown of bank borrowings and decrease in net repayment of short-term borrowings. 1H2018 also saw proceeds from shareholders' loan of \$4.2 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

BH Global rides into the second half of the year with cautious optimism, especially in light of recent macro-economic challenges posed by, for instance, the US-China trade war.

Notwithstanding oil price volatility in the first half of the year, upstream Offshore and Marine (O&M) activities continue to see improvement with more of the Group's customers registering higher business activities during the first half, translating to a second consecutive quarter of profitability.

The Supply Chain Management Division, the Group's core business, firmed its footing in the first half through posting a 17% year-on-year revenue increase to S\$17.8 million for 1H2019, after returning to profitability in FY2018. Ahead of the International Maritime Organisation regulation which caps sulphur content for marine fuels to 0.5% from 2020 onwards ("IMO 2020"), the Group anticipates elevated demand for its electrical supply and management solutions from offshore marine clientele looking to upgrade their vessels to comply with the regulatory requirements.

While still in its nascent stage, the Engineering Services Division made steady headway in the first half of the year on its Glass Reinforced Epoxy ("GRE") pipes supply and installation projects. As with the Group's Supply Chain Management, IMO 2020 has also fuelled demand for the Engineering services turn-key solutions in GRE pipe material supplies, pre-fabrications, engineering designs, installations and commissioning. To that end, the Group announced in July 2019 that it secured 11 projects worth S\$3.8 million involving the supply, engineering, fabrication and installation of GRE pipes to be delivered in Japanese and Chinese shipyards, related to the retrofitting of marine scrubber and ballast water management systems ahead of IMO 2020. The division also secured exclusive distribution rights of Future Pipes Industries (FPI) GRE pipes in Singapore, Japan and Vietnam. Such solutions and capabilities were strategically planned ahead by the Group two years prior, making for a timely entrance into the market as demand increases in reaction to IMO 2020. The Engineering Division is also looking towards environmental, electrification and digitalization initiatives in Singapore to uplift the presence and quality of green technologies and solutions in Singapore, as part of the Group's increased attention towards targeting solutions supporting green practices and sustainability development.

The Group's Security Division, which covers both cybersecurity and surveillance security, continued its commitment to drive growth through both harnessing internal capabilities and forging partnerships. On the cybersecurity front, the first half saw the division enter into a strategic partnership with Israeli firm Sasa-Software to establish a regional hub in Singapore in its bid to provide Content Dis-arm and Re-construction (CDR) technologies in Asia Pacific. Focus for the surveillance security unit remains on product design and development, with an additional R&D facility set up in Taipei to expedite the launch of a series of advanced sensing system products.

For its LED lighting systems business, the Group's associated company, GL Lighting Holding Pte Ltd ("GLH"), has held official opening ceremony of its Kunshan plant in June 2019. The new factory, which commenced production in 1Q2019, houses 22,500 square meters of mechanical and electronic production facilities and will enable the business to take on long-term Original Equipment Manufacturing (OEM) and Original Design Manufacturing (ODM) contracts.

11. Dividend

(a) Current Financial Period Reported On?

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year?

None.

Any dividend declared for the corresponding period of the immediately preceding financial year?

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the quarter ended 30 June 2019.

13. Confirmation that the issuer has procured undertakings from all its directors and executive officer under Rules 720(1) of the listing manual

The Company hereby confirms that it has procured undertakings from all its directors and executive officer under Rule 720(1) of the listing manual.

14. Interested Person Transactions

[Note Rule 920(1)(a)(ii) – An issuer must announce the aggregate value of transactions conducted pursuant to the general mandate for interested person transactions for the financial periods which it is required to report on pursuant to Rule 705.]

The Group has not obtained a shareholder’s mandate pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

15. Negative assurance confirmation

The Board of Directors confirms that, to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results for the financial period ended 30 June 2019 to be false or misleading, in any material respect.

16. Use of proceeds from rights issue

The Board of Directors refers to its announcements made by the Company on 28 September 2018, 13 December 2018, 19 December 2018, 3 January 2019, 18 January 2019, 22 January 2019, 13 February 2019 and 10 May 2019, the circular to the shareholders of the Company dated 19 December 2018 and the offer information statement dated 18 January 2019, relating to the renounceable non-underwritten rights issue (the “**Rights Issue**”) of up to 179,999,992 Rights Shares at an issue price of S\$0.085 for each

Rights Share, on the basis of three (3) Rights Shares for every two (2) existing Shares held by Entitled Shareholders as at Books Closure Date, fractional entitlements to be disregarded.

The Board wishes to provide an update on the usage of the Rights Issue proceeds of approximately S\$3.5 million from the Rights Issue completed on 13 February 2019 as follows:

Use of proceeds	Intended use of proceeds allocated based on final results of Rights Issue	Amount utilised as per previously announced on 10 May 19	Amount utilised as per this announcement	Balance
	S\$'000	S\$'000	S\$'000	S\$'000
R&D activities and patents applications	1,800	746	599	455
Expansion of production facilities, product range, engineering capabilities, cyber security operation and digitalisation service offerings	1,400	1,400	–	–
General working capital**	347	347	–	–
Total	3,547	2,493	599	455

Note:

** General working capital includes salary related expenses, payment to suppliers, rental expenses and other expenses incurred related to business operation.

The utilisation of the Net Proceeds as disclosed above is in accordance with the intended uses as disclosed in the Offer Information Statement.

The Board will continue to provide periodic announcements on the utilisation of the balance of the proceeds from the Rights Issue as and when the proceeds are materially disbursed.

On behalf of the Board of Directors

Vincent Lim Hui Eng
Executive Chairman and
Chief Executive Officer
8 August 2019

Patrick Lim Hui Peng
Chief Operating Officer